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TAGS: [ETTC](#) [KNNP](#) [PARM](#) [PREL](#) [MTCRE](#) [KSCA](#) [GM](#)
SUBJECT: (S) GERMANY: EXPORT AUTHORITIES CONCERNED ABOUT
CARBON TECH TRANSFER TO CHINA

REF: A. BERLIN 341
[1](#)B. STATE 5669
[1](#)C. BERLIN 101
[1](#)D. BERLIN 015

Classified By: Global Affairs Unit Chief Craig M. Conway for
reasons 1.4 (b) and (d).

[1](#)1. (U) This message contains additional information which
the Department may wish to consider in formulating a response
to ref C action request.

SUMMARY

[1](#)2. (S) The German Federal Office of Economics and Export
Controls (BAFA) is concerned about the efforts of a German
company to transfer cutting edge German carbon
materials-related production technology to China. The German
company, believed to be the SGL Group (please strictly
protect), has applied for an export license. According to
the MFA's Export Control Division, BAFA would like to deny
the license. In order to build a foundation for denial,
BAFA is requesting information on U.S. licensing practices on
exports to China in the field of graphitization and
carbon-fiber production technology.

BACKGROUND REGARDING CARBON TECH EXPORT CASES TO CHINA

[1](#)3. (S) This is the second time BAFA has requested
information in connection with carbon technology transfer to
China. Refs C and D presented nonpapers requesting
information about U.S. licensing procedures concerning the
export to China of technology used to produce isostatic
graphite. An MFA Export Control Division Desk Officer
explained confidentially that the German interagency export
control working group was considering a pending export
application from a German company, the SGL Group. The SGL
Group reportedly claimed as a basis for their export request
that U.S. companies have already received USG permission to
produce similar technology in China.

[1](#)4. (S) Ref A presented a follow-up nonpaper requesting
information on how the U.S. handles export licensing for
carbon-fiber production technology to China and explained
further that this information request also relates to a
pending license application from a German firm. The MFA has
refused to divulge the firm's name. The MFA has indicated
that it is a German firm with operations in California that
plans to move a production facility currently located in
California to China.

THE SGL GROUP IN CONNECTION WITH BOTH CASES

15. (S) Internet research revealed the SGL Group mentioned in connection with the production of isostatic graphite (ref D) also has carbon-fiber production facilities in California and China consistent with the information presented in ref A. In a subsequent discussion on March 20, the MFA indicated the carbon-fiber and isostatic graphite tech transfer cases were "related, but separate." Asked specifically whether the SGL Group is involved with the carbon-fiber case, an MFA official stated simply, "You did not hear that from me."

CONCERN ABOUT ADVANCING CHINA'S CARBON-FIBER MANUFACTURING CAPABILITIES

16. (S) According to MFA officials, BAFA's primary concern is the transfer of a technology that China currently does not currently possess. BAFA is specifically concerned about the use of advanced lightweight high-tensile-strength carbon-fiber to construct advanced centrifuges and the potential for China to transfer this technology to third parties. Reck added the Germans do not believe that China currently possesses this level of sophistication in carbon fiber manufacturing capabilities and that this transfer would represent a net technological gain for China.

17. (S) According to the MFA, BAFA would like to deny this pending export license, but added that certain German Government "entities" remain skeptical and do not agree. BAFA has requested the U.S. position on how technically advanced Chinese carbon-fiber production capabilities are and what impact the U.S. would see if Chinese companies were to substantially improve their capabilities in this arena.
TIMKEN JR